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Prosperous Relics

Two Ancient Insurers

Philadelphia Flourish

Despite Relaxed Ways

Perpetual Fire Protection

Firms Earn Rich Return;

Boards Dine by Candlelight

Sticking to Brick and Stone

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PHILADELPHIA—How to succeed in the insurance business without really trying:

Offer an outmoded form of coverage. Advertise as little as possible and don't exert yourself seeking new business. Throw elegant dinner parties for your directors each month. And keep the company wine cellar stocked.

Maybe that's the wrong advice about things. But it works for two small but venerable outfits here: The Philadelphia Contributionship for the Insurance of Houses From Loss by Fire, founded by Ben Franklin in 1752, and its long-time rival Mutual Assurance Co. for Insuring Houses From Loss by Fire, founded in 1784. The nation's oldest insurance concerns, they continue to grow richer each year, piling up fat surpluses that larger insurers regard with awe.

Their lock-and-trade is "perpetual" fire protection, but a staple of the insurance industry but a days only an anachronism. For a large premium—usually of several hundred dollars—the companies agree to insure property for as long as title remains in the owner's family. In turn, they invest the premium and use the income to offset costs.

Pay Dividends

Spent over two centuries of doing business, however, income from these invested premiums has far exceeded costs. Today, the crusty old firms live handsomely off their accumulated wealth—and pay dividends to policyholders as well.

Other insurers often scoff at the pair. "They're relics of the past blessed with the accident of being rich," sniffs H. Richard Heilman, president of Insurance Co. of North America. "Those big surpluses should be better utilized."

But such advice falls on deaf ears. "We're like wealthy widows—everybody loves to tell us how to spend our money," H. Gates Lloyd, chairman of the Contributionship, observed mildly.

There's no denying their financial strength. For example, last year the Contributionship with \$120.5 million of insurance in force shelled out a mere \$110,000 for losses. Net income topped \$885,000, while year-end assets exceeded \$35 million—an unusually high figure relative to the insurance in force (over half the assets are in common stocks). The balance sheet of Mutual Assurance, which has slightly larger assets, is equally impressive.

The companies concentrate on insuring dwellings, many of which are located in Philadelphia's historic Society Hill section of Colonial homes. Commercial buildings are looked on askance, although a few large charitable institutions are covered.

Protests From Tree Lovers

In its early days, the Contributionship flatly refused to insure houses located near trees; branches would impede the flow of water from the feeble fire pumps of the day, it insisted.irate tree lovers formed Mutual Assurance to accept such risks, and a few years later the Contributionship dropped its prejudice against trees. Even today, Mutual Assurance is known informally as the Green Tree Co. for the leafy oak it adopted as its symbol.

Both firms resent the widespread belief that they actively discourage new business. "People say we only write fire insurance on stone quarries full of water—I get tired of hearing that," complains the Contributionship's Mr. Lloyd, a prominent investment banker. He concedes, however, that the companies prefer to protect "brick or stone houses with slate roofs less than 600 feet from a fire plug."

Throughout their long lives, the two insurers have been remarkably immune from criticism. One shattering exception was what's referred to as "the raid of 1894." Some policyholders charged the Contributionship was only interested in avoiding risks, maintaining assets and keeping its directors content. The attitude of the board, the dissidents declared, was "that of a mouse snugly ensconced in a rich old cheese." However, the old guard was overwhelmingly upheld in a special election.

Nor do state regulatory agencies give the firms much trouble. In fact, Mutual Assurance isn't subject to Pennsylvania insurance laws at all. The reason: The firm's charter predates the state's constitution. Hence, under a grandfather's clause, it's immune from regulation. (The Contributionship isn't as fortunate; unlike its competitor, it has amended its charter in recent years and thus is subject to state insurance laws.)

A Frosty Letter

Pennsylvania's Insurance Commissioner David Q. Maxwell says he's not worried about Mutual Assurance being beyond his bailiwick. "The company is of unimpeachable integrity, and it generally complies with our rules anyway," he says. Nonetheless, he recalls that about 10 years ago, his office questioned a minor item in the firm's annual report. "The company sent us back a frosty letter saying it filed the reports with us only as a courtesy. It threatened to stop sending them altogether unless we agreed not to question them—so we agreed," Mr. Maxwell says with a sigh.

Both insurers are widely respected for excellent, if conservative, management. To a man, their directors are influential pillars of Philadelphia's business and professional circles. Comments Insurance Commissioner Maxwell: "To sit on those boards is to have arrived."

Each year, once a month, directors gather at the offices of the two companies, which are located in handsome red brick townhouses a few doors from one another near Independence Hall. Following work sessions of an hour or so, board members mourn upstairs for cocktails and tastefully catered candlelight dinners. A sampling of a recent Contributionship dinner: Oysters, green turtle soup and filet of beef with wine offerings of sherry, port wine, claret, champagne, brandy and Madeira.

Mutual Assurance adds a historical note to its affairs. Following the meal, the chairman calls out, "Gentlemen, are you charged?" Glasses are filled, or "charged," with Madeira and the company is toasted. After a suitable pause comes a second toast, "To the memory of Washington"—a tradition since 1799 when a messenger interrupted a directors dinner with news of the first President's death.

Both firms have maintained wine cellars in their basements for years. Mutual Assurance is noted for having the more extensive wine list, although it suffered a setback last year when several bottles of an 1865 Madeira soured and had to be thrown out. "It was a real tragedy," says Daniel White, assistant treasurer, who keeps the cellar stocked.

In line with their cautious approach to new business, directors of both companies insist upon keeping advertising to a modest scale, usually occasional newspaper ads or spot radio announcements. Coverage is limited to the city

and a few suburban counties in Pennsylvania. "Why should we expand? We're better off sticking to our knitting," explains Mutual Assurance Chairman James E. Gowen, a retired banking executive.

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